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Article 3: Commercial Paper

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delivery except for cash including payment for all goods theretofore delivered under the contract, and stop delivery under this Article (Section 2-705).

(2) Where the seller discovers that the buyer has received goods on credit while insolvent he may reclaim the goods upon demand made within ten days after the receipt, but if misrepresentation of solvency has been made to the particular seller in writing within three months before delivery the ten day limitation does not apply. Except as provided in this subsection the seller may not base a right to reclaim goods on the buyer's fraudulent or innocent misrepresentation of solvency or of intent to pay.

(3) The seller's right to reclaim under subsection (2) is subject to the rights of a buyer in ordinary course or other good faith purchaser or lien creditor under this Article (Section 2-403). Successful reclamation of goods excludes all other remedies with respect to them.

In the Matter of Mort Co., 208 F. Supp. 309 (E.D. Pa. 1962).

See the Annotation to Section 2-507, *supra*.

ARTICLE 3: COMMERCIAL PAPER

SECTION 3-419. Conversion of Instrument; Innocent Representative.

(1) An instrument is converted when

(a) a drawee to whom it is delivered for acceptance refuses to return it on demand; or

(b) any person to whom it is delivered for payment refuses on demand either to pay or to return it; or

(c) it is paid on a forged indorsement.

(2) In an action against a drawee under subsection (1) the measure of the drawee's liability is the face amount of the instrument. In any other action under subsection (1) the measure of liability is presumed to be the face amount of the instrument.

(3) Subject to the provisions of this Act concerning restrictive indorsements a representative, including a depository or collecting bank, who has in good faith and in accordance with the reasonable commercial standards applicable to the business of such representative dealt with an instrument or its proceeds on behalf of one who was not the true owner is not liable in conversion or otherwise to the true owner beyond the amount of any proceeds remaining in his hands.

Stone & Webster Eng'r Corp. v. First Nat'l Bank & Trust Co. of Greenfield, — Mass. —, 184 N.E.2d 358 (1962).

See case note, *infra*, for a summary and full discussion of this case.

ARTICLE 4: BANK DEPOSITS AND COLLECTIONS

SECTION 4-406. Customer's Duty to Discover and Report Unauthorized Signature or Alteration.

(4) Without regard to care or lack of care of either the customer or the bank a customer who does not within one year from the time the state-